

GOVERNMENT RESTRUCTURING

Pg.	Agency	Statutory Amendment	Constitutional Amendment	Short-Term 2011 Session	Long-Term	General Fund Option 1	General Fund Option 2	General Fund Option 3	General Fund Costs	Analyst Due Date
Pending	Martin Luther King, Jr. Commission and Office of African American Affairs	Yes	No	Yes		196.0	234.8	128.9	3.0	7/9/2010
Pending *	Merge Homeland Security and Department of Public Safety	Yes	No	Yes		895.8				7/9/2010
Pending *	Merge Health Policy Commission into DOH	Yes	No	Yes		none				7/9/2010
Adopted	Merge Gaming and Racing Commissions	Yes	No	Yes		838.2				7/9/2010
Adopted	Move youth mentoring from Department Finance and Administration to Children, Youth and Families Department	No	No	Yes		none				7/9/2010
Adopted	Merge Organic Commission to Department of Agriculture at NMSU	Yes	No	Yes		none				7/9/2010
Adopted	Juvenile Public Safety Advisory Board-duties to CYFD	Yes	No	Yes		none	24.9			7/9/2010
Adopted	Intertribal Ceremonial - duties to another agency	Yes	No	Yes		88.1				7/9/2010
Deleted	Civil Legal Services program at DFA	No	No	Yes						7/9/2010
Deleted	Move Drinking water Revolving Loan Fund from NMFA to NMED or New Agency									8/6/2010
IAC	Indian Affairs Department Reorg - consider ideas from Interim Indian Affairs Committee									Pending
IOC	Consolidate investment management and accounting functions of SIC, ERB and PERA-consider recommendations of Interim Investments Oversight Committee									Pending
Health Care	Move all Medicaid waiver programs to Human Services Department (DOH & ALTSD) - look at other states (Kansas, Colorado or Arkansas)	Yes	No	Possibly		969.0	969.0	1,500.0		8/6/2010
Health Care	Merge Aging and Long-Term Services into HSD *	Yes	No	Possibly						8/6/2010
	---consider option of moving certain functions to CYFD									
Health Care	Establish a Health Care Authority Department - Public School Insurance Authority/Risk Management Division risk programs/Retiree Health Care Authority/GSD state emp benefits/APS group benefits/Medicaid Programs	Yes	No	Possibly			25,000.0		unknown - but will likely have costs	8/6/2010
Education	PED/HED *	Yes	Yes	Joint Resol.	Yes	TBD				
	---Establish a Education Finance component at DFA									
August	Move E-911 to Department of Information Technology	Yes	No	Yes		None				8/6/2010
August	Establish a Central Office for administrative functions (purchasing, budget, personnel, accounting etc.) to serve small agencies	Yes	No	Possibly		TBD			415.7	8/6/2010
August *	Establish a Department of Commerce - 3 agencies (Econ Development & Tourism; Regulatory; and Workforce agency)	Yes	No	Possibly		TBD				8/6/2010
	---Determine agency for co-op advertising									
	---Impact of Interim Committees and reorg.-especially given the Space Port and Border Authority ability to issue bonds									
	---Border Authority/Office of Mexican Affairs/International Trade- can certain functions be eliminated?									
August *	Establish an Energy and Environment Dept: Energy, Minerals and Natural Resources Department, Environment Department, Nat Res. Trustee and Game and fish	Yes	No	Yes						8/6/2010
August	General Services Department - Reorg	Yes	No	Possibly		TBD				8/6/2010

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	— Move purchasing and contracting functions to DFA									
	— Move group health benefits & risk management to a new Health Care Authority Dept.									
	— Privatize State Printing Bureau or transfer to another agency					TBD				
	— Privatize motor pool & send aviation to another agency with aircraft									
	— Move Maintenance Services to another agency w/similar operation or privatize									
August	Close Magistrate Courts with low or zero caseload	Yes	No	Yes						8/6/2010
	— Consider option of using probate judges as magistrates									
	— Consider option of circuit courts									
	— Consider making magistrate districts co-extensive with judicial districts									
A	Public Regulation Commission - Reorganization									9/6/2010
1-new	Consider moving Monuments Division from DCA to State Parks Division - EMNRD									9/6/2010
2-new	Consider moving MTD from DPS back to TRD									9/6/2010
3-new	Restructure Capital Outlay Process									9/6/2010
4-new	Consolidate similar agency activities/functions (food programs, contract processing, advertising, home visiting, IT, human resources, purchasing etc.)				Long-Term					2011
				TOTAL		\$2,987.1	\$26,228.7	\$1,628.9		
1	Boards & Commission Subcommittee									
	Consolidate/merge all DD boards and commissions into 1 board									
1	RSIP									
	Revenue Restructuring									

* Committee on Government Efficiency - Carruthers Report

Core Services Category: Business and Industry

Study Area: Reorganize/Transfer

High Level Recommendation: Transfer certain functions of the Public Regulation Commission (PRC) to other agencies and a unit from the Secretary of State's (SOS) Office including the following:

1. The Transportation Division from the PRC to the Department of Public Safety (DPS);
2. The Insurance Division from the PRC to the Regulation and Licensing Department (RLD) or to a newly created independent Department of Insurance;
3. The process of collecting insurance tax premiums from PRC to the Taxation and Revenue Department (TRD);
4. The State Fire Marshal's Office from the PRC to DPS;
5. The Operations Division from the SOS to the PRC

Problem Statement: The authority of the PRC Commission is being weakened by a semi-autonomous Insurance Division and Office of the State Fire Marshal. New Mexico is unique from other states in the breadth of responsibilities assigned to its regulatory commission. Not only does the PRC provide regulation and oversight of utilities, telecommunications, and motor carriers but also provides administrative oversight of the insurance industry and certain public safety functions, such as pipeline safety, the State Fire Marshal Office, and the Firefighter Training Academy.

The Commission has constitutional authority to protect the public from "natural monopolies" – utility, transportation, and telecommunication companies. However, a constitutional amendment expanded the Commission's authority to include insurance regulation. The Commission has limited influence over insurance regulation because, by statute, the authority is vested with the Superintendent of Insurance.

Through legislative action, the Office of the State Fire Marshal was transferred to the PRC along with the Fire Fighter Training Academy. As with the Insurance Division, the Commission has limited involvement in the operations of the State Fire Marshal.

The structural inefficiency created by duplicative regulatory structures between the commission and the Insurance Division and limited authority over the Office of the State Fire Marshal is weakening the department. Over the years, the mission and purpose of the commission has expanded beyond its original constitutional mandate.

Since the PRC was created nearly fifteen years ago, the scope of the commission's oversight and regulated industries has changed significantly. Despite the growing complexity, PRC commissioners are not required to have a background or experience in rate setting and regulation. Furthermore, once elected, due to ex parte rules, commissioners can't communicate with hearing officers about pending cases.

Background and Findings: The PRC has regulatory authority over utilities, telecommunications, motor carriers, and insurance, as well as administrative authority over the State Fire Marshal's Office, the Firefighter Training Academy, pipeline safety, and the registration of all corporations doing business in New Mexico.

Day to day operation of the department is managed by the Chief of Staff, except for activities of the Insurance Division and those of the Hearing Officers. The Chief of Staff is an 'at-will' employee appointed by the commission.

- The Transportation Division of the PRC works with the Motor Transportation Division of the DPS to comply with Federal Motor Carrier Safety requirements and the New Mexico Motor Carrier Act. Both departments work to ensure commercial vehicles are safe and legally authorized to drive on our roadways. Both departments perform safety inspections, enforce compliance and issue fines. Transferring the Transportation Division to DPS could improve compliance and enforcement efforts. Additional consideration may include whether the PRC Pipeline Safety Bureau, a bureau of the PRC Transportation Division, should also be combined with DPS. According to the National Association of Pipeline Safety Representatives, pipeline safety is part of a federal and state partnership to protect communities and protect national interests.
- The Insurance Division is semi-autonomous from the Commission except that the Superintendent of Insurance is appointed by the Commission, and can only be removed for cause. In addition, the PRC Chief of Staff does not generally oversee operations in the Insurance Division. Disputes over insurance rate regulation are generally not reviewed by the Commission and are usually litigated in court. Both the Commission and the Insurance Division could be strengthened if the Insurance Division were to be transferred from the PRC to another agency or elevated to an independent office.
- The Revenue Processing Unit of the Insurance Division collects over \$200 million of insurance premium taxes and assessments, as well as compliance and enforcement functions. Collecting and ensuring compliance is a core function of the Taxation and Revenue Department (TRD). The PRC and TRD are duplicating revenue processing and enforcement functions. Both departments support independent IT systems that are in need of upgrading. Collection, compliance, and enforcement of insurance premium taxes may be improved, with cost savings, if the Revenue Processing Unit of the PRC were transferred to TRD. The process of collecting revenue is not considered to be a constitutional regulatory authority and could therefore be transferred without an amendment.
- The State Fire Marshal's Office is also semi-autonomous from the Commission except that the State Fire Marshal is appointed by the Commission. The State Fire Marshal and the Fire Fighter Training Academy is not part of the constitutional regulatory authority and could therefore be transferred without a constitutional amendment. Combining firefighting training with other public safety training academies could improve coordination and leverage training assets.

- The Operations Bureau of the Secretary of State is responsible for issuing partnership registrations and other business related functions while the Corporations Bureau of the PRC is responsible for issuing certificates of incorporation/authority, overseeing the organization and registration of limited liability companies, and verifying the completeness and accuracy of related charter documents. Both departments support independent IT systems that are in need of upgrading.

Options to Consider:

- 1) **Transportation Division** – Transfer to Department of Public Safety Motor Transportation Division to eliminate duplicative compliance and enforcement efforts. Additional consideration warranted to move the Pipeline Safety Bureau to DPS.

Fiscal Implications: Transferring the Transportation Division to DPS may result in a minimal amount of general fund savings; however, there could be a substantial improvement in compliance and enforcement. The potential savings would occur from the elimination of 1 manager and possibly 1 administrative assistant/office clerk. The analysis assumes the division would remain in a state-owned building and includes the Pipeline Safety Bureau. The remaining \$3.8 million FY11 operating budget would be transferred.

	Potential Savings Amount (in thousands)					
	General Fund	Other State	Inter-agency	Federal	Total	
Personal Svcs and Empl Benefits	\$58.3	\$30.3	\$4.0	\$18.7	\$111.3	Exhibit A1
Contractual Services:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Other Costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
TOTAL	\$58.3	\$30.3	\$4.0	\$18.7	\$111.3	

	Potential Transfer Amount (in thousands)				
	General Fund	Other State	Inter-agency	Federal	Total
Personal Svcs and Empl Benefits	\$733.8	\$761.8	\$788.1	\$773.4	\$3,057.1
Contractual Services:	\$10.3	\$22.8	\$0.0	\$14.1	\$47.2
Other Costs	\$114.8	\$342.4	\$0.0	\$210.2	\$667.4
TOTAL	\$859.0	\$1,127.0	\$788.1	\$997.7	\$3,771.8

Obstacles to Consider:

The PRC was created in 1996 through an amendment to the New Mexico Constitution. As such, it would have to be determined whether the constitution would have to be amended if the Transportation Compliance and Applications Bureaus were to be transferred from the PRC to DPS. In theory, the PRC could retain jurisdiction over transportation rates (without a constitutional amendment) while DPS would be responsible for compliance and enforcement.

- 2) **Department of Insurance** – Create a whole new agency, or possibly consolidate/combine with the RLD Financial Institutions Division.

Fiscal Implications: Transferring the Department of Insurance to RLD would not result in any general fund savings; however, there could be a substantial improvement in operations of both the Insurance Division and the PRC.

	Potential Transfer Amount (in thousands)				
	General Fund	Other State	Inter-agency	Federal	Total
Personal Svcs and Empl Benefits	\$0.0	\$0.0	\$4,736.7	\$0.0	\$4,736.7
Contractual Services:	\$0.0	\$0.0	\$194.7	\$0.0	\$194.7
Other Costs	\$0.0	\$0.0	\$473.5	\$0.0	\$473.5
TOTAL	\$0.0	\$0.0	\$5,404.9	\$0.0	\$5,404.9

Obstacles to Consider:

- The PRC was created in 1996 through an amendment to the New Mexico Constitution. As such, it would require an additional amendment to the constitution to move the insurance regulation function from the PRC to another department.
- If the Department of Insurance were to be consolidated into a Commerce and Insurance Department, careful consideration regarding the appointment of the Superintendent of Insurance should be made and who would have judicial authority or review over the superintendent's actions.

- 3) **Insurance tax collection.** Transfer the unit that collects insurance premium taxes from the Department of Insurance to the Taxation and Revenue Department. The process of collecting insurance premium taxes is not part of the constitutional regulatory authority, and as such could be performed alongside other tax reporting and collection efforts.

Fiscal Implications:

	Potential Transfer Amount (in thousands)				
	General Fund	Other State	Inter-agency	Federal	Total
Personal Svcs and Empl Benefits	\$0.0	\$0.0	\$385.4	\$0.0	\$385.4
Contractual Services:	\$0.0	\$0.0	\$10.7	\$0.0	\$10.7
Other Costs	\$0.0	\$0.0	\$52.8	\$0.0	\$52.8
TOTAL	\$0.0	\$0.0	\$448.9	\$0.0	\$448.9

Obstacles to Consider:

- The Insurance Division IT system, IDEAL, shares data with the National Association of Insurance Commissioner's (NAIC) databases. Tax data would have to be able to be uploaded from TRD's GenTax system to IDEAL.

- 4) **State Fire Marshal's Office and Firefighter Training Academy** – Transfer the Fire Marshal's Office and Academy to the Department of Public Safety/Homeland Security and Emergency Management where various other training, disaster, emergency response, and investigation functions have consolidated. Although there would be no general fund savings, an opportunity may exist to leverage public safety assets and improve coordination between fire safety, state police, and training academies.

State Fire Marshal's Office

	Potential Transfer Amount (in thousands)				
	General Fund	Other State	Inter-agency	Federal	Total
Personal Svcs and Empl Benefits	\$0.0	\$1,683.0	\$0.0	\$0.0	\$1,683.0
Contractual Services:	\$0.0	\$100.2	\$0.0	\$0.0	\$100.2
Other Costs	\$0.0	\$753.6	\$0.0	\$0.0	\$753.6
TOTAL	\$0.0	\$2,536.8	\$0.0	\$0.0	\$2,536.8

Firefighter Training Academy

	Potential Transfer Amount (in thousands)				
	General Fund	Other State	Inter-agency	Federal	Total
Personal Svcs and Empl Benefits	\$0.0	\$951.8	\$385.4	\$0.0	\$1,337.2
Contractual Services:	\$0.0	\$221.5	\$10.7	\$0.0	\$232.2
Other Costs	\$0.0	\$496.7	\$52.8	\$0.0	\$549.5
TOTAL	\$0.0	\$1,670.0	\$448.9	\$0.0	\$2,118.9

- 5) Transfer the Operations Unit of the Secretary of State (SOS) and combine with the Corporations Bureau of to the PRC. The Operations Unit of the SOS provides various administrative and business-related services including the registration of general partnerships, limited partnerships, limited liability partnerships, trademarks, and Uniform Commercial Code filings. Additional analysis is required to determine whether SOS and PRC IT data bases could be merged. Although the general fund savings would be minimal, there could be an improved level of service provided by consolidating.

Fiscal Implications:

Secretary of State Operations Division

	Potential Savings Amount (in thousands)					
	General Fund	Other State	Inter-agency	Federal	Total	
Personal Svcs and Empl Benefits	\$120.0	\$0.0	\$0.0	\$0.0	\$120.0	Exhibit B1
Contractual Services:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Other Costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
TOTAL	\$120.0	\$0.0	\$0.0	\$0.0	\$120.0	

Exhibit A1						
Transportation Division Potential FTE to Delete						
Number of FTE		Salary and Benefits	General Fund	Other State Funds	Int. Svcs/Int- Trfers	Federal Funds
1	Transportation Bureau	\$62,246	\$58,262	\$0	\$3,984	\$0
1	Pipeline Safety Bureau	\$49,007	\$0	\$30,286	\$0	\$18,721
2	TOTAL	\$111,253	\$58,262	\$30,286	\$3,984	\$18,721

Exhibit B1						
Secretary of State Operations Division Potential FTE to Delete						
Number of FTE		Salary and Benefits	General Fund	Other State Funds	Int. Svcs/Int- Trfers	Federal Funds
1	Operations Division	\$120	\$120	\$0	\$0	\$0
1	TOTAL	\$120	\$120	\$0	\$0	\$0